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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1940.

No. 669

PEERLESS EQUIPMENT COMPANY,
Petitioner,

vs.

W. H. MINER, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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This is an ordinary patent accounting case. Although eleven reasons are urged for the grant of a writ of certiorari (Pet., pp. 8-10), the sole question presented is whether as a matter of law the decision of the Circuit Court of Appeals for the Seventh Circuit, that respondent is entitled to all of petitioner's profits, is in conflict with decisions of this Court and decisions of other Circuit Courts of Appeals. On this issue the Circuit Court of Appeals for the Seventh Circuit aptly referred to two leading decisions by this Court, *Dowagiac Mfg. Co.* v. *Minnesota-Moline Plow Co.*, 245 U. S. 641, and *Westinghouse* v. *Wagner Electric & Mfg. Co.*, 225 U. S. 604. No criticism is made or can properly be made of the interpretation and use of these decisions

by the Circuit Court of Appeals. The portion of the opinion in which that Court discusses the issue to which the petition for certiorari relates is found in the record at pages 572-574. The heart of the decision of the Circuit Court of Appeals is as follows (R. 574)*:

> "* * * This situation is such that it is impossible to make a mathematical or even an approximate apportionment of the resulting profits. Consequently under established principles of equity and the plainest principles of justice, as the court said in the Westinghouse case, the infringer cannot take advantage of his own wrong. It being impractical or impossible for plaintiff to apportion the profits between what is new and what is old, defendant, an infringer, must either make the apportionment or yield up all profits, unless such a decree would be shockingly unjust, in which event the plaintiff would be relegated to a royalty."

The petition does not challenge the statement of law which the Circuit Court of Appeals thus applied. Petitioner's only discussion of it is the brief statement at page 13 of the petition to the effect that the Circuit Court of Appeals decided the question of fact (as to whether an apportionment was possible) "arbitrarily." Having thus eliminated the legal basis for the decision *by asserting that the facts of the case are contrary to what both courts below found them to be* (R. 526, 574), petitioner purports to find conflict between the result reached and the result reached in other cases. The statements in the petition and brief in support thereof suggesting a dispute of *law* are premised only upon petitioner's assertion of *facts* which were rejected by the courts below.

The decison of *law* by the Circuit Court of Appeals was that where separation is impossible, the tort feasor and not the victim should suffer. This is sound law and sound

* The opinion of the Circuit Court of Appeals is as yet unreported. It appears in the record at pages 568 to 578. The opinion of the Circuit Court of Appeals on appeal from the award of an injunction and an accounting is reported in 93 F. (2) 98 (Cert. den. 303 U. S. 641). The record on the first appeal is referred to as "Physical Exhibit R. Case 6304 p. ....." The record on this appeal is referred to as R. .....

public policy whether the misappropriated property be grain, patent rights, or other property.

Among the many cases recognizing the applicability of the "confusion rule" to patent cases are *Westinghouse* v. *Wagner Electric & Mfg. Co.*, 225 U. S. 604, 620, and *Hamilton Shoe Co.* v. *Wolf Brothers*, 240 U. S. 251, 261.

In its discussion of the facts of the case petitioner asserts (p. 14) that railroads have purchased non-infringing gears from it, that petitioner ceased to infringe in July, 1938, but lost no customers thereby, and that the selling price of its non-infringing gears increased over that charged for infringing gears. Upon the basis of these alleged facts, petitioner disagreed with both courts below, and argued that apportionment was possible and that the "apportionment" should be entirely to non-infringing features (See Petition, p. 14). The petition fails to point out, however, that the sales of petitioner's non-infringing gears were made under the representations that they were as good as the infringing gears (R. 171), and that prices were raised when prices generally rose (R. 170). The petition also fails to point out that petitioner's non-infringing gears were in fact distinctly inferior to its infringing ones as the District Court found (R. 521) and as pointed out by the Circuit Court of Appeals (R. 569). Beginning in 1938 the petitioner sold gears in which a false laboratory capacity was produced by a "breaking-in" process. This was expensive and detrimental to the gears (R. 284, 285, 309, 323, 326-327). Draft gears of the type here involved consist broadly of a friction shell, a pluralty of friction shoes within the shell, a wedge which bears against the shoes, and a spring resistance. A pushing or pulling force exerted on the coupler of the car is transmitted to the wedge member of the gear. As the wedge is thus forced into the friction shell, it bears against the shoes forcing them outwardly against the inner walls of the friction shell. Inward movement of the shoes is resisted by the spring, and friction

develops between the shoes and the shell. This friction to the extent of its capacity absorbs the energy of the impact and cushions the blow. Because of the tremendous pressure involved it is essential to satisfactory operation to have accurate alignment of the parts, not only to prevent sticking of the gear, but also to secure capacity, endurance, and uniformity. In commercial production variations, particularly in the angularity of the interior surfaces of the friction shell, make accurate alignment difficult to secure.

Prior to the patent in suit alignment of parts in devices of the type here involved was secured by using antifriction rollers between each of the shoes and the wedge of the device. The rocking of the shoes on the rollers permitted alignment of the parts to compensate for commercial tolerances in the angularity of the parts. With increased demands upon the gears due to longer trains and faster service, the rollers became overloaded and frequently broke (Phys. Ex., R. Case 6304, p. 18). It was known before the patent in suit that the parts could be individually machined and "tailor made" gears produced, or that the parts could be assembled and some "alignment" secured by distortion or wear of the parts. However, machining was so expensive as to be a commercial impossibility. Securing alignment of parts by "breaking in" was unsatisfactory and was detrimental to the gears (Phys. Ex., R. Case 6304, p. 20). The patentee, by providing a slightly curved surface on the shoes or wedge, secured by rocking action an automatic accomodation of the parts to meet the particular variations in angularity which might occur within the limits of commercial tolerances in each specific gear. As the gear is actuated in testing before shipment or in service, the curved surface flattens into a straight surface of the required angularity. The patent gave the answer to a real problem and went into immediate use. At the time of the original hearing in 1937, over 1,000,000 devices employing it had been sold by respondent (Phys. Ex., R. Case 6304,

p. 23). The Circuit Court of Appeals very properly pointed out that the patent in suit was "essential to the desired results of both parties" and "is the thing that produced the successful result" in respondent's gears (93 Fed. (2d) 105). The petition belittles the patent in suit as merely "the addition of a single manufacturing detail" (Pet., p. 2). When, in following the plainly sound determination by the District Court the Circuit Court of Appeals disagreed with petitioner, it was not deciding a question of law in conflict with the decision of this or any other court.

Petitioner seeks by assertions of *fact* to bring the case at bar within the general rule that the plaintiff has the duty of apportionment. The decisions of this Court and of Circuit Courts of Appeals with which the decision herein is alleged to conflict (Pet., pp. 8, 12, 14-15) are all cases in which upon the facts involved the general rule was followed and applied. In the instant case, however, on the *facts,* the Master, the District Court, and the Circuit Court of Appeals all agreed that the exception should be followed. In *Hamilton Shoe Co.* v. *Wolf Bros.,* 240 U. S. 251, 261, this Court said:

> "* * * But, as pointed out in the *Westinghouse Case* (p. 618), there is a recognized exception where the plaintiff carries the burden of proof to the extent of showing the entire profits, but is unable to apportion them, either because of the action of the wrongdoer in confusing his own gains with those which belong to plaintiff, or because of the inherent impossibility of making an approximate apportionment. There, 'on established principles of equity, and on the plainest principles of justice, the guilty trustee cannot take advantage of his own wrong.'"

The charge in the petition that the Circuit Court of Appeals "decided an important question of law in a manner which is believed to be in direct conflict with applicable decisions of this Court" and "decided important questions of Federal law, in a manner against public interest, and the

effect of which is therefore of great public importance and interest'' (Pet., pp. 8, 9) is unfounded. The Circuit Court of Appeals, having in pursuance of the concordant findings of the Master and the District Court determined that apportionment is impossible on the facts of this case, was impelled by the decisions of this Court in the *Westinghouse Case* and the *Hamilton Shoe Case* to award all profits to respondent. Petitioner's dispute is not with the law applied; the law has been settled by authoritative decisions of this Court and has not been and is not challenged. Petitioner challenges the finding of fact that apportionment is impossible. As to this issue since the Master and the District Court held against petitioner and the Circuit Court of Appeals soundly followed, respondent deems it unnecessary to argue the point. The dispute that petitioner seeks to enter upon is as to facts, not as to law. While the case is important to the litigants, it presents nothing of such novelty of disagreement as to make it "of great public importance and interest."

Conclusion.

For the reasons that this case presents no conflict of decision and that the unanimous decisions of the Master, the District Court, and the Circuit Court of Appeals that no apportionment was required on the facts of this case are well grounded, it is thought that the application for certiorari should be denied.

Respectfully submitted,

George I. Haight,
Attorney for the Respondent.